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FISCAL IMPACT REPORT

BILL NUMBER: House Bill 251

SHORT TITLE: New Homes Development Program

SPONSOR: Reps. Parajon and Armstrong/Sen. Berghmans

LAST ORIGINAL
UPDATE: _____ **DATE:** 2/8/2026 **ANALYST:** Gygi

APPROPRIATION* (dollars in thousands)

FY26	FY27	Recurring or Nonrecurring	Fund Affected
\$0	\$30,000.0	Recurring	General Fund

*Amounts reflect most recent analysis of this legislation.

Relates to House Bills 168 and 200

Relates to an appropriation in the House Appropriations and Finance Committee substitute for House Bills 2 and 3 (General Appropriation Act)

Sources of Information

LFC Files

Agency or Agencies Providing Analysis

New Mexico Mortgage Finance Authority
Workforce Solutions Department

SUMMARY

Synopsis of House Bill 251

House Bill 251 (HB251) appropriates \$30 million from the general fund to the Department of Finance and Administration for expenditure by the New Mexico Mortgage Finance Authority (MFA) in FY27 through FY29 for the purpose of creating and administering the New Homes Development Program. This new homebuyer assistance grant program will be created in the New Mexico Affordable Housing Act. The program will provide up to \$10 thousand per qualifying grantee to be used for the purchase of a home which has had a certificate of occupancy issued within the last 12 months. The assistance will be disbursed at the time the qualifying grantee enters into an agreement to purchase a home using home buyer assistance.

MFA will be required to submit a report annually to the Mortgage Finance Authority Act Oversight Committee beginning July 1, 2027 on the number of grants awarded and recommendations for program continuation, alteration, expansion, or cancellation.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, which is May 20, 2026.

FISCAL IMPLICATIONS

The appropriation of \$30 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY29 shall revert to the general fund. Although HB251 does not specify future appropriations, establishing a new grant program could create an expectation the program will continue in future fiscal years; therefore, this cost is assumed to be recurring. Further, HB251 requires MFA to make a recommendation regarding continuation of the program.

MFA states that the administrative requirements under HB251 may increase its overhead and operating expenses but does not indicate an amount.

SIGNIFICANT ISSUES

If enacted, HB251 could provide up to 3,000 grants to eligible homebuyers who receive homebuyer assistance through the New Homes Development Program, which would reduce their monthly housing payment. According to an analysis done by MFA, \$10 thousand in homebuyer assistance may reduce a grantee's monthly mortgage payment by \$175 per month.

HB251 does not establish eligibility requirements for homebuyers to participate in the program or procedures for repayment of the homebuyer assistance if the home is sold. Instead, MFA will be responsible for promulgating rules to establish homebuyer eligibility and procedures for repayment of the homebuyer assistance.

MFA currently administers several housing finance and development programs serving first-time and income-qualified homebuyers and homebuilders. These include multiple downpayment assistance programs that provide forgivable or low-interest loans to moderate- and low-income households, as well as single-family development initiatives that offer construction financing, below-market loans to developers, and subsidized homebuilder programs with sales price limitations. Collectively, these programs involve loan origination and servicing, underwriting, compliance monitoring, and partnerships with private builders and lenders.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

This bill is similar to House Bill 200 and House Bill 168; both would create a New Homes for New Mexico Program, which would be administered by MFA. That program is targeted at first-time homebuyers for starter homes. It would provide zero percent interest, due-upon-sale loans of up to \$50 thousand (\$75 thousand in high-cost counties) to qualified buyers purchasing newly constructed starter homes that are built by participating builders.

The House Appropriations and Finance Committee substitute for House Bills 2 and 3 (General Appropriation Act) includes a \$10 million appropriation to MFA contingent on enactment of HB200 or similar legislation creating a program in the authority.

OTHER SUBSTANTIVE ISSUES

MFA provides the following context regarding the relationship between HB251 and the Affordable Housing Act:

House Bill 251 amends the Affordable Housing Act to create the new homes for New Mexico program, which would already be permissible under the Affordable Housing Act. The Affordable Housing Act is the affordable housing exception to the anti-donation clause in the New Mexico constitution and includes high level parameters for affordable housing donations and programs. The Affordable Housing Act does not authorize any specific affordable housing program or project, rather it provides the state, local governments, the New Mexico Mortgage Finance Authority, and school districts the ability to use public funds and assets for affordable housing purposes. The New Homes Development program as proposed is consistent with Affordable Housing Act requirements.

The Affordable Housing Act Rules define a “housing assistance grant” as the donation, provision, or payment by a governmental entity or MFA of: land, existing building, cost of acquisition, development, construction, financing and operating or owning affordable housing, or the costs of financing or infrastructure necessary to support Affordable Housing.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Qualifying homebuyers will still be able to access MFA’s other homebuyer assistance programs.

KG/cf/sgs